

ADDITIONAL BACK-UP MATERIAL FOR AGENDA ITEM 2

Mountain/Desert Committee Measure I Committee

January 19, 2007

9:00 a.m.

Location:

Town of Apple Valley
14955 Dale Evans Parkway
Apple Valley, CA

Discussion Item

9. Measure I 2010-2040 Strategic Plan Policy Issues

- 1) Rural Mountain/Desert Major Local Highway Projects Issue Paper
– *Deborah Barmack*
- 2) Victor Valley Major Local Highway Projects Issue Paper

*This background information was not available at the time of the Mountain/Desert –
Measure I Committee agenda mailing.*

Name of Program: Rural Mountain/Desert Major Local Highway Projects

Brief Description: In the rural Mountain/Desert subareas, the overriding principle is that the highest priority and greatest need are in local street improvements. This is demonstrated by the 70% of revenue categorized for this purpose. The Measure I Expenditure Plan for each of the Mountain/Desert subareas also includes a category of funding for Major Local Highway Projects. The Major Local Highway Projects category receives 25% of Measure I revenues collected in each subarea. Eligible projects for this category of funds include "major streets and highways serving as primary routes of travel within the subarea, which may include State highways and freeways." The Expenditure Plan also states that these funds can be used to "leverage other State and Federal funds . . . and to perform advance planning/project reports."

Technical issues: The total amount of funds collected in this category over the thirty year period is relatively small compared to the cost of construction for major highway improvements:

| Subarea | Major Local Highways Projects Expenditure Plan Estimate | 2006 Revised Major Local Highway Projects Expenditure Plan Estimate |
|----------------|--|---|
| North Desert | \$ 24m | \$ 41m |
| Mountains | \$ 30m | \$ 42 m |
| Morongo Basin | \$ 31m | \$ 46m |
| Colorado River | \$ 15m | \$ 3m |

In the Rural Mountain/Desert subareas, the revenue generated for Local Major Highway Projects is in the neighborhood of \$1.5m a year, with the exception of Colorado River which is substantially less.

Due to the vast areas and many miles of major local highways in these subareas areas, it was never anticipated that these funds would fully fund any projects. The projects named were easily identifiable Major Local Highway Project priorities. The project lists were not intended to represent a comprehensive or exclusive list for this category. Language in the Expenditure Plan specifically stated these funds would be used as "**Contributions to Projects, including but not limited to:**"

Estimates of an amount of State and Federal funds available to each subarea were included in the Expenditure Plan.

Due to the lack of specifically identified projects and the vagaries of the amount of "contributions" from the Major Local Highway Projects category, project prioritization and allocations from the Major Local Highway Projects category are left to future policy decisions by SANBAG Board members within each subarea and the SANBAG Board.

Policy Considerations and alternatives:

Considering the limited financial resources in the Major Local Highway Projects category, a number of policy decisions will be required in establishing principles for allocation of funds. It is possible that some criteria could be established which apply to all Rural Mountain/Desert subareas. However, it is certain that representatives of each subarea will be required to make allocation decisions which best fit the needs of their each subarea.

(more)

Recommendations:

1. **The following principles should guide policy decisions regarding allocation of Major Local Highway Project's funds in rural subareas:**

- Allocations should be made from candidate project lists developed in cooperation with transportation planning partners.
- Allocations should serve to maximize leveraging of private, local, federal, and State dollars, with particular attention to leveraging of Interregional Transportation Improvement Program Funds on the Interregional Road System.
- Allocations should be made with an objective of delivering major local highway improvements at the earliest possible date.
- Geographic equity throughout the subarea should be considered over the term of the Measure.
- SANBAG shall actively engage in planning and project delivery of major local highway projects in collaboration with local jurisdictions and Caltrans in a manner which will minimize the time and cost of project delivery.

2. **Allocations for Major Local Highway Project's funds in rural subareas should be allocated for improvements on State/Federal highways, interchanges/intersections, and major arterials spanning multiple jurisdictions based upon a projects contribution to traffic circulation and/or improved safety within the subarea.** The Major Local Highway Projects category, as listed in the Expenditure Plan, cites numerous State/Federal highways and several multi-jurisdictional/subarea projects. The estimated Measure I revenue for Major Local Highways can only be a small contribution toward any substantial project, but the Measure I contribution can nevertheless serve to leverage additional non-Measure funding sources. In certain areas, allocations of Major Local Highway Projects Funds could contribute to safety projects on State highways which may be highly desirable among local jurisdictions and could possibly advance projects funded by State Highway Operations and Protection Program funds. In rural subareas with few State highway project priorities, major arterial projects spanning multiple jurisdictions may be highly desirable. Major arterial projects spanning multiple jurisdictions can improve circulation and can serve as alternative routes to the State highway.

3. **The allocation process should include a review of the revenue estimates and identified subareas needs for the term of the Measure.** Review of revenue estimates and identified projects during the allocation process will result in consideration of alternatives which may include assurances related to geographic equity; maintenance of reserves for unanticipated needs and/or opportunities to leverage unanticipated funds; and evaluation of projects' impact upon overall subarea circulation.

4. **Development contributions are considered a requirement of the Measure in rural subareas. Development contributions from development mitigation fee programs in the rural Mountain/Desert subareas should be considered as leveraged funding which could enhance a project's consideration for Major Local Highway Projects funds.** Jurisdictions in rural subareas are not required in Measure I 2010-2040 to participate in the SANBAG Nexus Study and Development Mitigation Program cited in Section VIII of the Measure. However, it is clear in the Measure that "Measure I revenue is not intended to replace traditional revenues generated through locally-adopted development fees and assessment districts." It is also clear that the "transactions and use tax revenue shall not be used to replace existing road funding programs or to replace requirements for new development to provide for its own road needs." Rural subarea jurisdictions are meeting the requirements for development contributions through preparation of Traffic Impact Analysis Reports, conditions of project approvals, fee districts, and

other mechanisms. Most jurisdictions in the rural Mountain/Desert subareas are also considering or have established development mitigation programs separate from the SANBAG Nexus Study.

It is anticipated that jurisdictions in the rural subareas may submit projects for funding which include local funding contributions, such as Measure I Local funds, redevelopment funds, general funds, or development mitigation fee program funds. A proposed project with these local funding contributions may increase the competitiveness of a project. In the rural subareas, all of these local funding contributions should be considered as leveraged funds for the purpose of allocating Major Local Highway Project Funds, including those which may be generated from development mitigation fee programs which are not part of the SANBAG Development Mitigation Program.

Name of Program: Victor Valley Major Local Highway Projects

Brief Description: In the Mountain/Desert subareas, 70% of revenue generated is preserved for Local Street Projects. The Measure I Expenditure Plan for each Mountain/Desert subarea specifies that 25% of Measure I revenues collected in each subarea be set aside for Major Local Highway Projects. Eligible projects for the Major Local Highway Projects category include "major streets and highways serving as primary routes of travel within the subarea, which may include State highways and freeways." The Plan also states that these funds can be used to "leverage other State and Federal funds . . . and to perform advance planning/project reports." The Victor Valley Subarea Expenditure Plan reads as follows:

SCHEDULE E - Victor Valley Subarea Expenditure Plan

| Project Category | Measure "I" Percentage | Amount |
|--|-------------------------------|-----------------------|
| Local Street Projects | 70% | \$ 596 Million |
| Major Local Highway Projects | 25% | \$ 213 Million |
| Senior and Disabled Transit Service | 5% | <u>\$ 43 Million</u> |
| Total Victor Valley Subarea Measure "I" Revenue | 100% | \$852 Million |
| Victor Valley Expenditure Plan Detail | | |
| Local Street Projects | | |
| <i>Distribution to cities and County for street repair and improvements</i> | | |
| <i>New construction to relieve Bear Valley Rd, Ranchero Rd, new east/west roadways</i> | | |
| Local Street Projects Measure "I" Revenue | | \$ 596 Million |
| State and Federal Revenues | | \$ 39 Million |
| Contribution from New Development, Major Streets | | <u>\$ 281 Million</u> |
| Total Local Street Projects Revenues | | \$ 916 Million |
| Major Local Highway Projects | | |
| <i>Contributions to Projects including but not limited to:</i> | | |
| <i>New Interchanges at I-15 and Ranchero, Eucalyptus, LaMesa/Nisqualli</i> | | |
| <i>High Desert Corridor</i> | | |
| <i>I-15 Widening through Victor Valley</i> | | |
| <i>SR-138 Widening and Improvements</i> | | |
| <i>US-395 Widening and Improvements</i> | | |
| Major Local Highway Projects Measure "I" Revenue | | \$ 213 Million |
| State and Federal Revenues | | \$ 112 Million |
| Contribution from New Development, Freeway Interchanges | | <u>\$ 88 Million</u> |
| Total Major Local Highway Projects Revenues | | \$ 413 Million |
| Senior and Disabled Transit Service | | \$ 43 Million |

Technical issues: The Measure I Expenditure Plan estimated the total amount of funds collected in the Victor Valley Major Local Highway Projects category over the thirty year period. The estimates for Measure I revenue and development mitigation revenue were updated in 2006 as follows:

| Fund Type | Major Local Highways Projects Expenditure Plan Estimate | 2006 Revised Major Local Highway Projects Expenditure Plan Estimates |
|---------------------------|--|--|
| Victor Valley Subarea | | |
| Major Local Highway Funds | \$ 213m | \$ 277m |
| State and Federal Revenue | \$ 112m | \$ 112m |
| Development Mitigation | \$ 88m | \$ 146m |
| TOTAL | \$ 413m | \$ 535m |

Although the amount of Local Major Highway Projects funds is considerably higher than other Mountain/Desert Subareas, the magnitude of transportation needs and cost of major facility construction render this amount woefully insufficient. While Victor Valley revenue is expected to increase, it is doubtful that the imbalance between needs and available funding will change significantly.

In the Victor Valley subarea, it was never anticipated that the Major Local Highway Projects category would fully fund any of the projects listed in the Expenditure Plan. The projects named were easily identifiable major local highway project priorities. The projects were not intended to represent a comprehensive or exclusive list for this category. Language in the Expenditure Plan specifically stated these funds would be used as **“Contributions to Projects, including but not limited to.”**

The Victor Valley is distinctly different from other Mountain/Desert subareas in two specific ways. The incorporated areas and surrounding county areas were included in the SANBAG Nexus Study which requires a fair share contribution by new development to transportation projects. It is also distinctively different in that there are two new major freeway corridors proposed in the subareas; i.e., High Desert Corridor estimated to cost \$900m and US-395 estimated to cost \$670m.

The Nexus Study and project development documents for the Victor Valley indicate the following cost and fair share contributions from new development in the Victor Valley:

| Improvement Category | Total Cost | Development Contribution* |
|--|------------|------------------------------|
| High Desert Corridor (Victorville/Apple Valley Segment) | \$ 900m | \$ 0 |
| US-395 | \$ 670m | \$ 0 |
| SR-138 West | \$ 81m | \$ 0 |
| I-15 Widening | \$ 398m | \$ 0 |
| Interchanges | \$ 268m | \$ 146m |
| Arterials | \$ 586m | \$ 294m |
| Grade Separations | \$ 32m | \$ 8m |

*Amounts include 2006 cost escalation factor of 12.9%

Due to the lack of specifically identified projects and the vagaries of the amount of “contributions” from the Major Local Highway Projects category, project prioritization and allocations from the Major Local Highway Projects category are left to future policy determinations. With a thirty-year estimate of revenue for Major Local Highway Funds of \$535m (\$277m Measure I; \$112m in State/Federal funds; and \$146m Interchange Development Mitigation) and a total known project need of \$2.317b, policy decisions regarding allocation of Measure I revenue will be both difficult and critical.

Recommendations:

1. **The following principles should guide policy decisions regarding allocation of Victor Valley Major Local Highway Projects funds:**

- Allocations should be made from candidate project lists developed in cooperation with transportation planning partners.
- Allocations should serve to maximize leveraging of private, local, federal, and State dollars, with particular attention to leveraging of Interregional Transportation Improvement Program Funds on the Interregional Road System.
- Allocations should be made with an objective of delivering major local highway improvements at the earliest possible date.
- Geographic equity throughout the subarea should be considered over the term of the Measure.
- SANBAG shall actively engage in planning and project delivery of major local highway projects in collaboration with local jurisdictions and Caltrans in a manner which will minimize the time and cost of project delivery.

2. **Allocations of Major Local Highway Project's funds in the Victor Valley should be restricted to State/Federal highways, interchanges, and new corridor alignments.** The Major Local Highway Projects category as listed in the Expenditure Plan cites several State/Federal highways, interchanges, and new corridors. The cited highways fall both within the urban and rural areas of the Victor Valley, allowing for equitable geographic allocations. The estimated Measure I revenue for Major Local Highways will be only a small fraction of the cost for identified project improvements. Although it may be appropriate for "major arterials spanning multiple jurisdictions" to be funded in other subareas, it does not seem appropriate in the Victor Valley given the magnitude of transportation need. The most obvious "major arterials spanning multiple jurisdictions" in the Victor Valley (alternatives to Bear Valley Road, Ranchero Road) are specifically cited in the Expenditure Plan as Local Street Projects.

3. **Allocation of Major Local Highway Projects funds for corridor preservation is consistent with the Victor Valley Subarea Expenditure Plan.** The Major Local Highway Projects category in the Victor Valley Subarea Expenditure Plan specifically names the future High Desert Corridor, as well as improvements to US-395, which is currently under study for a new alignment. The purchase of right-of-way is a recognized cost of highway construction. Advanced purchase of right-of-way using local funds is allowable by the Federal Highway Administration when performed in compliance with federal requirements. Subarea representatives may wish to consider a strategic process of purchasing parcels in an identified alignment if they become available on the market as a mechanism for reducing right-of-way costs in the long term and protecting the alignment.

4. **The allocation process should include a review of the revenue estimates and identified subareas needs for the term of the Measure.** Review of revenue estimates and identified projects during the allocation process will result in consideration of alternatives which may include assurances related to geographic equity; maintenance of reserves for unanticipated needs and for opportunities to leverage unanticipated funds; and evaluation of projects' impact upon overall subarea circulation.

5. **Development contributions identified in the SANBAG Nexus Study are a minimum requirement of the program and shall not be considered as leveraged funding.** When submitting potential projects for funding from the Victor Valley Major Local Highway Projects program, local jurisdictions may include other local funding contributions, such as Measure I Local Street Project funds, redevelopment funds, or general funds. A proposed project with additional local funding contributions may increase project competitiveness. In such cases, development mitigation funds identified in the SANBAG Nexus Study are minimum requirements and shall not be considered as leveraged funds, except when the amount of development mitigation exceeds the amount listed in the Nexus Study or is on a project outside the Nexus Study area.